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SUBJECT: CORRECTED COPY: DELAY IN GOVERNMENT FORMATION HIGHLIGHTS  
TENSION WITHIN RULING PARTY

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¶1. (SBU) SUMMARY: Montenegro's long-running government formation saga appears to be in its final stages, with a new GoM likely to be appointed this week. The delay - after March 29 parliamentary elections resulted in a landslide victory for the ruling coalition - appears to be linked to the desire of ruling Democratic Party of Socialists (DPS) heavyweight Svetozar Marovic to return to the GoM as PM Milo Djukanovic's principal DPM, a move that would demote Finance Minister and Djukanovic favorite (and anointed successor) Igor Luksic. Djukanovic reportedly has compromised by proposing both Marovic and Luksic as DPMs on equal footing, but this debate highlights internal tensions within the DPS which are likely to continue. END SUMMARY.

New GoM?

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¶2. (SBU) Montenegrin press and a number of our high-level contacts are reporting that PM-designate Djukanovic will present his program and Cabinet to Parliament for approval on June 9. This follows a June 4 meeting of the Presidency of the ruling Democratic Party of Socialists (DPS), which blessed Djukanovic's proposals (the party's Main Board is supposed to provide the final stamp of approval on June 8). The DPS will now divvy up GoM and parliamentary positions with its coalition partners - the Social Democratic Party (SDP), the Bosniak Party (BS), and the small Croatian Civic Initiative (HGI) - in advance of the parliamentary vote. (Note: The new GoM and its program must be supported by a majority of MPs; the coalition controls 48 seats in the 81-MP Parliament, assuring easy approval.)

Delay Breeds Frustration

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¶3. (U) Parliamentary elections were held on March 29. The victorious coalition curtailed the initial April 23 Parliament session due to a disagreement over Deputy Speaker positions, but regrouped on May 6 to re-elect SDP leader Ranko Krivokapic as Speaker (the coalition decided to resolve the Deputy Speaker issue as part of a package with the new GoM). The following day President Vujanovic nominated then-PM Djukanovic for a sixth term as GoM head.

14. (SBU) At that point, however, the government formation process ground to a halt. While coalition and DPS loyalists have assured us that it is "business as usual" at various ministries and the GoM is meeting (in an acting capacity) regularly, we sense a palpable frustration with the delay. Ministry contacts complain that decisions are not being taken because of uncertainty over their organization's leadership, for example, and even contacts in the SDP and BS have grumbled to us about the wait, the responsibility for which they place squarely with the DPS.

Behind the Scenes at DPS

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15. (SBU) The press has speculated that the leading cause for the delay has been internal DPS wrangling over the possible return of party VP and former Serbia/Montenegro State Union president Svetozar Marovic to the GoM. Specifically, Marovic, who has been engaged in lucrative private business ventures in his native Budva since 2006, reportedly wanted to come back as the only Deputy Prime Minister (or First Deputy Prime Minister), responsible for political affairs. Also, according to the rumors, Marovic would bring several loyalists with him into key GoM positions.

16. (SBU) Marovic's proposal would, however, mean a demotion of current DPM and Minister of Finance - and Djukanovic favorite - Igor Luksic. (Note: the previous GoM had three DPMs - Luksic, DPM for Economic Policy Vujica Lazovic, and DPM for European

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Integration Gordana Djurovic.) According to the rumors, Djukanovic, who has tabbed Luksic as his likely successor, resisted, while Marovic gained the support of President Vujanovic and some other senior DPS leaders. (Note: It was widely reported that Vujanovic, Marovic, and others opposed Djukanovic's attempt to install Luksic as PM when Djukanovic resigned in September 2006. Luksic's opponents argued that the Finance Minister, then only 30, was unseasoned; Zeljko Sturanovic was then elected to replace Djukanovic.)

Something to the Rumors?

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17. (SBU) A well-placed DPS official confirmed to us June 2 that the media speculation regarding Marovic and Luksic was correct in basic details, although exaggerated in its description of the tension within the party. The DPS' public line was that Djukanovic's "busy schedule" was the primary reason for the delay in forming the government. Our interlocutor confided that, immediately following the election, Djukanovic told a small group of DPS leaders that he intended to step down in favour of Luksic. Over the course of a week, the group persuaded him to stay on, arguing that while Luksic could be PM in a future government, Montenegro needed stability and Djukanovic's "charisma" in the face of the global economic crisis. Moreover, they asserted, the voters expected Djukanovic to stay at the helm.

18. (SBU) Our contact said that Djukanovic initially did not want to make major changes in the government. The PM told the press

on May 21 that there would be "no significant personnel changes," but later backtracked to deal with the thorny question of Marovic's influence in the party. According to our source, there was some resistance to Marovic's return because of his "involvement and success in private business," but in general party faithful agreed that it was "a waste" not to utilize the talents of the powerful party Vice President.

¶9. (SBU) Our contact also confirmed press reports that the DPS's 2011 congress could result in a makeover of the party hierarchy. It was "very possible" that Djukanovic would step down if the financial situation had stabilized, he said, making way for "new leaders and the renewal of the party."

DPS Presidency: Marovic and Luksic as DPMs?

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¶10. (U) Media reported on June 5 that the DPS Presidency had the previous evening approved Djukanovic's proposal to appoint both Marovic and Luksic as Deputy Prime Ministers. The two would be on equal footing, with Marovic responsible for political affairs and Luksic for finance. (Note: Vujica Lazovic also will presumably remain a DPM, since his position belongs to the SDP. SDP contacts have told us that they expect to retain the same ministries in the new GoM.) Final allocation of other ministries will reportedly be approved by the DPS Main Board on June 8. (Note: The press has reported that some ministries - such as the Ministry of Health and Labor, the Ministry of Tourism and Environment, and the Ministry of Economic Development - could be divided, although our DPS contact told us June 2 that this was unlikely, and a number of new names have been bandied about to head various ministries.)

Comment

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¶11. (SBU) The delay in the GoM's formation suggests that while Djukanovic is the preeminent authority in the DPS, he must take into account Marovic's influence within the party and strong base of support in the coastal boomtown of Budva. Djukanovic has made clear his desire to hand the reins of power to Luksic, but it remains to be seen whether Luksic (who recently

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criticized Budva municipality finances) will face continued resistance from Marovic and other senior DPS officials in the run-up to the DPS's 2011 congress.

¶12. (SBU) Marovic is a public advocate of Montenegro's Euro-Atlantic integration and there is no real daylight between him and PM Djukanovic in terms of the country's foreign policy goals. Although Marovic will reportedly be responsible for political affairs, several of our non-DPS interlocutors predict he will attempt to influence the economic ministries, particularly the Ministry of Economic Development, in support of his business interests in Budva. (Note: Marovic has been linked to Russian and other investors in Budva, and in fact was partnered with the controversial Moscow-based Mirax Group, which is building a large apartment complex on the coast.) Over time, the appearance of such conflicts of interests could detract from Montenegro's broader foreign policy goals. End Comment.

KONTOS